

Agenda

ENVIRONMENTAL SERVICES COMMISSION MEETING
 450 110th Ave. NE (City Hall)
 Conference Room 1E-113
 Thursday 6:30PM
 April 6, 2017 Regular Meeting

		<u>Page</u>	<u>Action</u>
Commissioners:	1. Call to Order – Keith Swenson, Chair		
<i>Keith Swenson</i> <i>Chair</i>	2. Approval of Agenda *	1	X
<i>Diann Strom</i> <i>Vice Chair</i>	3. Oral Communications Note: Three-minute limit per person, maximum of three persons for each side of topic. Additional comments may be heard at Agenda Item 10.		
<i>Anne Howe</i>			
<i>Sanjay Kumar</i>	4. Welcome New Commissioner • Sanjay Kumar		
<i>Tieson Mach</i>			
<i>Aaron Morin</i>	5. Approval of Minutes * • February 2, 2017 Regular Meeting Minutes	2 - 6	X
<i>Lisa Schreiner</i>			
City Council Liaison:	6. Reports & Summaries • ESC Calendar/Council Calendar * • Conservation & Outreach Events & Volunteer Opportunities *	7 - 8 9 - 10	
<i>Vacant</i>			
Staff Contact:	7. New Business • AMI Implementation at Sammamish Plateau Water & Sewer District * (Memo) <i>Presenter: Scott Jonas, Operations Manager – Sammamish Plateau Water & Sewer District</i>	11	
<i>Andrew Lee</i> <i>425-452-7675</i>			
Staff Support:	• 2016 Financial Report * (Memo) <i>Presenter(s): Lucy Liu, Assistant Director – Resource Mgmt. & Customer Svc.</i> <i>Martin Chaw Fiscal Mgr. – Resource Mgmt. & Customer Svc.</i>	13 - 21	
<i>Katie LaFree</i> <i>425-452-4497</i>			
	8. Commission Report		
	9. Director's Office Report		
	10. Continued Oral Communications		
	11. Adjournment		

* Materials included in packet
 # Materials separate from packet

Wheelchair accessible. American Sign Language (ASL) interpretation available upon request by calling (425) 452-6466 (v) at least 48 hours in advance. Assistance for the hearing-impaired: Dial 711.

**CITY OF BELLEVUE
ENVIRONMENTAL SERVICES COMMISSION
MEETING MINUTES**

Thursday
February 2, 2017
6:30 p.m.

Conference Room 1E-113
Bellevue City Hall
Bellevue, Washington

COMMISSIONERS PRESENT: Swenson (Chair), Strom (Vice Chair), Howe, Mach, and Schreiner

COMMISSIONERS ABSENT: Morin

OTHERS PRESENT: Deputy Director Andrew Lee, Watershed Planning Supervisor Kit Paulsen, Operations Manager Don McQuilliams

MINUTES TAKER: Laurie Hugdahl

1. CALL TO ORDER:

The meeting was called to order by Chair Swenson at 6:30 p.m.

2. APPROVAL OF AGENDA

Motion made by Commissioner Schreiner, seconded by Commissioner Howe, to approve the agenda as presented. Motion passed unanimously (5-0).

3. ORAL COMMUNICATIONS

None

4. APPROVAL OF MINUTES

January 5, 2017 Regular Meeting Minutes

Vice Chair Strom pointed out some duplicate text. The paragraph at the bottom of the first page beginning with "Commissioner Strom . . ." is repeated in the middle of the second page.

Motion made by Vice Chair Strom, seconded by Commissioner Howe, to approve the January 5, 2017 minutes as amended. Motion passed unanimously (5-0).

5. CITY COUNCIL COMMUNICATIONS

- Replacement Commission Process

Deputy Director Lee stated that he, Chair Swenson, and Mayor Stokes interviewed six potential commissioners and came to a consensus on one of them who will be formally appointed on February 6. There will be two other commissioner openings coming up on May 31 when Keith Swenson and Ticsen Mach finish their 8-year terms.

- Council Liaison

Deputy Director Lee stated that there isn't a decision yet for the Council Liaison.

6. REPORTS AND SUMMARIES

- ESC Calendar/Council Calendar

There are no agenda items for March so at this point it looks like there might be no meeting in March. This will be decided in the next week or so. There will also be no meeting in May.

On February 21 there will be a commendation for Calvin Wang. His wife and son will be present for that.

7. NEW BUSINESS

- Storm & Surface Water Monitoring Programs
Presenter: Kit Paulsen, Watershed Planning Supervisor

Ms. Paulsen gave an overview of the monitoring programs for rainfall, stream flows, invasive snails, and environmental indicators to evaluate the surface water system and status of stream health. She discussed data related to rainfall and streamflow.

Salmon spawning is another area that the city monitors starting in September every year. Salmon used to be common in Bellevue, but are not doing as well they were previously. There has not been spawning in Kelsey Creek for the last five years. The City is trying to do something to improve the water chemistry in addition to the habitat and fish passage to bring salmon back. Spawner surveys identify problems for fish passage and also to see if capital projects have been effective.

Other fish such as cutthroat, sculpin, and dace are also monitored and evaluated because they don't migrate and are only affected by conditions of

Bellevue streams. Cutthroat trout are also examined to see what they are eating. There is an infestation of New Zealand Mudsnails in a few streams in Bellevue. Additionally, the city is using environmental DNA (eDNA) to check for the presence of mudsnails. The city is trying to reduce the spread of the invasive snails to other streams.

Stream bugs are used to find out more information about the conditions of streams. These are used to analyze what kinds of stressors are happening in the streams. Different bugs are sensitive to different things so studying them provides an indication of the condition of streams. The B-IBI (Benthic Index of Biotic Integrity) is an index used to compare the condition of Bellevue's streams to other cities. Unfortunately, all urban areas are having similar challenges in maintaining healthy stream conditions.

Ms. Paulsen explained that all this information is feeding into Stormwater Initiatives: Watershed Planning, Open Streams Assessment, Water Quality Improvement, Property Management, and Primary Conveyance (Private).

The information is used to assess the status of the streams, to identify problems and propose solutions for capital projects, to evaluate those projects after they've been completed, to look at mudsnail impacts, to support stormwater initiatives, and to support regional efforts. The information is also available for research for other people and jurisdictions.

Chair Swenson asked if the status of streams is going up or down. Ms. Paulsen replied that salmon returns to Coal Creek is improving, but Kelsey Creek is getting worse. There has actually been more spawning in Coal Creek than there was previously. The index scores are fairly stable. There seems to be a tapering off of how quickly the water flow goes up and comes back down, which can help improve stream habitat.

- Mobile Workforce – Deployment of Tablets & Optimized Software to Field Crews

Presenter: Don McQuilliams – Operations Manager – Regulatory Compliance & Surface Water

Mr. McQuilliams discussed the rollout of the Utilities Field Mobility Project. The main focus was on improving customer service and improving business efficiencies. The process was started by interviewing staff to find out what they wanted and needed and what was important to them. Over 20 field observations were also done to analyze how the devices would be used and to see the conditions and the work environment. The RFP was developed at the same time. User and functional requirements were reviewed such as the ability to see the screen in all light conditions, the ability to take high quality photos, etc.

Eight vendors with different skill sets submitted proposals for the RFP. The project team weighted the pros and cons of each and focused on an easy to use solution. Interloc was chosen as the successful vendor. Interloc is also the company that has been supporting the City's Maximo system for quite some time so they are very familiar with the City.

Five mobile devices were tested in the Device Lab. 41 surveys were completed and staff found the iPad Pro familiar, easy to use and reliable. 65 iPad Pros were deployed in September 2016. The iPads were initially introduced without the Informer application. This was to build familiarity with the device and to separate the Informer application from other applications. It also created a desire to use the mobile device. Applications introduced in the initial rollout included: GoMaps, Outlook, Word, Excel, PowerPoint, OneDrive, OneNote, Apple Message and Facetime, and Google Translate.

Informer was deployed in December 2016. Utilities uses IBM Maximo as its MMIS (Maintenance Management Information System). Informer is a 3rd party application designed to interface with Maximo using an easy to use User Interface for the mobile device.

Staff has had the iPads for about six weeks. About 80% are using them more than twice a week. About 50% are using them every day. 60% of staff surveyed indicated that the device meets their needs. 50% say they like the software. 62% of staff say that the devices have cut back on their trips to and from the field.

Process improvements are on the way. Staff has identified some improvements moving forward such as interactive maps, increasing search capacities, customizable start screens, inspection applications connected to Maximo via Informer, and access to shared drives and commonly used files. Mr. McQuilliams stated that success for this project looks like providing the right information in the right form factors to staff so they'll embrace the mobile technology. This project has been driven from the beginning by staff engagement, and they have ownership in it. Going forward user groups will be set up to meet periodically.

Vice Chair Strom stated that she loves this. She asked how well it works in the rain. Mr. McQuilliams demonstrated the device and showed how it works. General questions and answers followed about how it works. This was budgeted for \$1 million and has come in around \$800,000 which leaves some room for additional applications. Commissioner Strom asked if other cities are using these. Mr. McQuilliams replied that some cities are although they may be using different devices or software. Mobile technology is definitely becoming more common. There was discussion about the benefit of having different languages available on the devices.

Commissioner Howe asked if staff has seen cost savings with the reduced trips back and forth. Mr. McQuilliams said staff hasn't tried to figure out how to measure that yet.

8. COMMISSION REPORT

Chair Swenson said the interview process was fascinating. He would like to know more about how education about the recycling process works in apartment buildings.

9. DIRECTOR'S OFFICE REPORT

Deputy Director Lee explained that there was a water main break today towards Lake Sammamish off of a 6" AC water main which depressurized the entire system. As a result there was total loss of system pressure and DOH required them to issue boil water notice. Service has been restored, but there is still a boil water notice until lab samples can be confirmed to be free of bacteria. He summarized that water crews have been very busy this year.

The sewer lakeline project at Meydenbauer bay is going full steam. The project is still on schedule to be out of the park by the end of April.

Acoustic testing has been done for four different stretches of pipeline since 2015 – along West Lake Sammamish Pkwy, near the Forest Hills reservoir, along Rambling Lane upstream of Bill Gates' home, and the area where the water main break occurred today. The stretch where the water main break occurred today had about 50-60% degradation based on the acoustic testing and was scheduled to be replaced in the next 1-2 years. The main break today serves as confirmation that the acoustic testing is accurate, and we plan to continue using acoustic testing to make future asset management decisions. There was some discussion about how to assess similar scenarios in the future.

10. CONTINUED ORAL COMMUNICATIONS

None

11. ADJOURNMENT

The meeting was adjourned at 7:41 p.m.

2017 Tentative Council Calendar

March 17

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

April 17

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

May 17

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

June 17

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

July 17

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

August 17

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

April

- 3** Motion to award construction of midlakes force main to road construction & Ordinance Amended (Andrew/Regan)
- Ordinance authorization to amend 2017-2023 Utility CIP for Meydenbauer Bay Sewer line Replacement (Regan/Andrew)

- 17** Motion to award Storm Dig & Repair Construction to Trinity Contractors (Andrew/Regan)

May

- 1** Motion to award construction of Vuccrest Sanitary Sewer Rehab (Paul/Regan)
- 15** Motion to Award Clyde Hill 465 Res Water Storage Optimization
- Motion to award Constr. of Lower Coal Creek Flood Hazard Reduct Group Upper Skagit Key Culvert Replacement (Paul/Regan)

September 17

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

October 17

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

November 17

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

December 17

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

January 18

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

February 18

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

2017 Tentative Environmental Services Commission Calendar

March 17

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

April

- 6** 2016 Financial Report (Lucy/Martin)
- Introduce New Commissioner
- Visit from Sammamish and/or Woodinville re: AMI (Andrew)

September 17

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

May

- 4** CIP Tour (Scott)

October 17

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

April 17

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

June

- 1** AMI Communications Plan (Michael/Andrew)
- External Communications Plan (Michael)
- Wastewater System Plan Implementation (Debbie)

May 17

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

July

- 6** Visit to Sammamish and/or Woodinville re: AMI (Andrew)

November 17

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

August

- 3** Recess

June 17

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

September

- 7** Water System Plan Implementation (Doug)

December 17

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

October

- 5** Asset Mgmt. Update (Andy)
- Stream Team Update (Laurie)

July 17

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

November

- 2** Storm & Surface Water Plan Implementation (Jerry)

January 18

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

December

- 7** Retreat

August 17

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

February 18

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

Utilities' Environmental Conservation & Outreach Events and Volunteer Opportunities



April

1. **Waterwise Garden Volunteer Work Party**
Location: Bellevue Botanical Garden
Dates: April 5th & 19th, 1 pm to 3 pm
Staff: Patricia Burgess, 425-452-4127, pburgess@bellevuewa.gov
Karren Gratt, 425-452-6166, kgratt@bellevuewa.gov

2. **Sunset Elementary Science Fair**
Location: Sunset Elementary
Date: April 5th, 6 pm to 8 pm
Staff: Laurie Devereaux, 425-452-5200, ldevereaux@bellevuewa.gov
Jennifer Goodhart, 425-452-6197, jgoodhart@bellevuewa.gov

3. **Commercial Recycling Earth Day Fairs**
Locations and Dates:
Bellevue Technology Center, April 14th
Ericsson, April 20th
Civica Building, April 21st
929 Building, April 21st
Time: 11 am to 1 pm
Staff: Jennifer Goodhart, 425-452-6197, jgoodhart@bellevuewa.gov

4. **Bellevue Repair Fair**
Location: Bellevue Botanical Garden Education Center
Date: April 17th, 3 pm to 6 pm
Staff: Jennifer Goodhart, 425-452-6197, jgoodhart@bellevuewa.gov

5. **Healthy Kids Day**
Location: Coal Creek Family YMCA
Date: April 29th, 10 am to 1 pm
Staff: Jennifer Goodhart, 425-452-6197, jgoodhart@bellevuewa.gov

6. **Spiritridge Elementary Science Fair**
Location: Spiritridge Elementary
Date: April 25th, 6 pm to 8 pm
Staff: Laurie Devereaux, 425-452-5200, ldevereaux@bellevuewa.gov
Jennifer Goodhart, 425-452-6197, jgoodhart@bellevuewa.gov

7. **Green Cleaning Workshops**
Location: Newport Library, Bellevue Downtown Library & Lake Hills Library
Dates: April 19th, 23rd and 27th, 7pm to 8 pm, 6 pm to 7 pm, & 1 pm – 2 pm
Staff: Jennifer Goodhart, 425-452-6197, jgoodhart@bellevuewa.gov

8. **Earth Day/Arbor Day**
Location: Lewis Creek Park
Date: April 22nd, All Day
Staff: Laurie Devereaux, 425-452-5200, ldevereaux@bellevuewa.gov
Karren Gratt, 425-452-6166, kgratt@bellevuewa.gov

May

1. **Waterwise Garden Volunteer Work Party**
Location: Bellevue Botanical Garden
Dates: May 3rd & 17th, 1 pm to 3 pm
Staff: Patricia Burgess, 425-452-4127, pburgess@bellevuewa.gov
Karren Gratt, 425-452-6166, kgratt@bellevuewa.gov

2. **Green Cleaning Workshops**
Location: Lake Hills Library
Date: May 2nd, 7 pm to 8 pm
Staff: Jennifer Goodhart, 425-452-6197, jgoodhart@bellevuewa.gov





MEMORANDUM

 Action
 X Discussion
 X Information

DATE: April 6, 2017
TO: Environmental Services Commission
FROM: Andrew Lee, Deputy Director – Utilities Department
SUBJECT: AMI Best Practices and Lessons Learned

Action Required at this Time

None. This is informational only.

Fiscal Impact

AMI has been incorporated into the 2017-2018 budget.

Policy Issues

None

Background

Scott Jonas, Operations Manager from Sammamish Plateau Water & Sewer District will be our guest to discuss Sammamish's experience with implementation of their drinking water Advanced Metering Infrastructure (AMI) system. Scott will provide an overview of the following:

- Drivers for converting to an AMI system
- Vendor selection process
- Meter deployment experience
- Customer outreach experience
- Benefits
- Key challenges and lessons learned

Please come prepared with any questions you may have.



 Action
 X Discussion
 X Information

DATE: April 6, 2017

TO: Environmental Services Commission

FROM: Nav Ota, Utilities Director
Lucy Liu, Assistant Director – Resource Management and Customer Service
Martin Chaw, Utilities Fiscal Manager

SUBJECT: 2016 Financial Performance - Water, Sewer, Storm & Surface Water, and Solid Waste Utility Funds

Action Required

No action by the Commission is required at this time. This is an informational briefing.

Background

The purpose of this briefing is to provide the Commission a summary of the 2016 financial performance for the Water, Sewer, Storm & Surface Water, and Solid Waste utility funds.

All four utility funds ended 2016 with greater ending fund balances than budgeted largely due to increased water sales and cost savings as a result of continued focus on operational efficiencies for the 2015-2016 biennium. All funds are well positioned entering into 2017 and on track to meet adopted 2017 financial expectations.

Year-End Financial Performance & Transfers to Capital Accounts

The table below summarizes the financial performance of Water, Sewer, Storm & Surface Water, and Solid Waste utilities at the end of the 2015-2016 biennium. The excess fund balance in each utility represents a combination of revenues above expectations and costs savings for the two year period. Per Council-adopted financial policy, ending fund balances above anticipated levels in the Water, Sewer, and Storm and Surface Water utilities are to be transferred to the utility infrastructure renewal and replacement (R&R) account as part of the intended funding for future infrastructure needs. The purpose of the R&R funding strategy is to assure that necessary funds will be available for projected capital costs at the time of scheduled replacement. This strategy will provide rate stability over the long term. The Solid Waste utility does not have infrastructure

R&R requirements like the three piped utilities as solid waste management services are outsourced.

Table 1: Operating Fund Performance and Transfers to Capital Accounts (\$000s)

Utility Fund	Actual 2016 Ending Fund Balance	2016 Year End R&R Transfer	2016 Net Ending Fund Balance
Water	\$25,997	\$6,406	\$19,591
Sewer	\$7,248	\$0	\$7,248
Storm	\$6,181	\$1,993	\$4,188
Solid Waste	\$1,733	N/A	\$1,733

The Water Utility ended 2016 with an ending fund balance of almost \$26 million. Consistent with the R&R policy, \$6.4 million in excess fund balance was transferred to the Water R&R account for long-term infrastructure renewal. Consistent with the 2017-2018 budget, another \$6 million of the fund balance will be transferred in 2017 to the Water CIP as part of the intended funding to implement advanced metering infrastructure (AMI).

The Sewer Utility ended 2016 with an ending fund balance of \$7.3 million. No transfer was made to the Sewer R&R account as there was no excess fund balance at the end of 2016.

The Storm and Surface Water Utility ended 2016 with an ending fund balance of \$6.2 million. Consistent with the R&R policy, almost \$2.0 million in excess fund balance was transferred to the Stormwater R&R account.

The Solid Waste Utility ended 2016 with an ending fund balance of \$1.7 million, about \$700,000 higher than anticipated. The excess fund balance will remain in the Solid Waste operating fund for future uses.

Individual Utility Financial Performance

Following is a detailed evaluation of the financial performance of each utility.

WATER UTILITY

The Water Utility finished 2016 with \$19.6 million in ending fund balance or \$7.8 million above budget. Consistent with the 2017-2018 adopted budget, another \$6 million will be transferred to the advanced metering infrastructure (AMI) CIP project in 2017, and \$1.6 million will be used to fund one-time investments in the next biennium.

Table 2: Water Utility Fund 2016 Year End Results (\$000)

	Budget	Year End Actuals	Variance Dollars	Variance Percent
Beginning Fund Balance	\$ 10,872	\$ 18,773	\$ 7,901	72.7%
Revenues				
Water Service	46,243	52,764	6,521	14.1%
Developer	823	757	(66)	-8.0%
Fire Flow	2,517	2,517	-	0.0%
RCFCs	2,000	2,447	447	22.4%
Other	1,740	2,246	506	29.1%
Total	53,323	60,731	7,408	13.9%
Expenses				
Wholesale	19,505	19,361	(144)	-0.7%
Personnel	8,058	7,907	(151)	-1.9%
CIP	10,674	10,674	-	0.0%
R&R*	-	6,406	6,406	NA
Taxes	6,811	7,656	845	12.4%
RCFCs	2,000	2,584	584	29.2%
Interfunds	2,825	2,755	(70)	-2.5%
M&O	2,565	2,570	5	0.2%
Total	52,438	59,913	7,475	14.3%
Ending Fund Balance	\$ 11,757	\$ 19,591	\$ 7,834	66.6%

Source: Year-end actuals as of March 17, 2017.

*R&R transfer represents 2016 year-end excess fund balance transfer per R&R policy.

Following are the key drivers for the higher than anticipated ending fund balance.

Revenue Highlights

The Water Utility began 2016 with a beginning balance that is \$7.9 million above budgeted levels, largely due to exceptional water sales in 2015 driven by an unseasonably warm, dry summer.

2016 water revenues were \$7.4 million or almost 14% above budgeted levels. This is largely driven by the following:

- **Water service revenues** exceeded budgeted levels by \$6.5 million due to stronger than anticipated water sales. Our goal is to forecast water service revenues based on a typical consumption year. Water demand is dependent upon a combination of factors including weather conditions, regional water supply, conservation messaging, plumbing code requirements, and general economic conditions. These factors vary from year to year and as a result, actual water service revenues will be either below or above budget in any given year.
- **Regional Capital Facility Charges (RCFC)** from new connections for their share of the regional water distribution costs were \$447,000 above budget due to higher than anticipated development activity, which fluctuates with economic conditions. Corresponding RCFC payments to the Cascade Water Alliance were also above budget. RCFCs are collected and passed through to the Cascade Water Alliance. There is no net financial impact to ratepayers from this item.
- **Other revenues** include interfund payment from the Water CIP for staff labor (primarily engineering staff) that support the delivery of the CIP, real property rentals/leases, and investment interest. Other revenues were \$506,000 above budgeted levels and primarily reflect stronger than anticipated miscellaneous revenue, such as interest earnings, rentals/leases, and miscellaneous water services.

Expenditure Highlights

Water expenses were \$7.5 million or about 14% above budgeted levels. This is largely driven by the following items:

- A \$6.4 million year-end transfer of excess fund balance was made to the **R&R** account, consistent with Council-adopted R&R policy.
- **Taxes** paid to the City of Bellevue General Fund and State of Washington exceeded budget by \$845,000, primarily reflecting the taxes due on higher than anticipated water sales.
- **Regional Capital Facility Charge (RCFC)** payments exceeded budget by \$584,000, reflecting growth in new connections due to the current economic expansion. As discussed

above, these are pass-through payments to the Cascade Water Alliance and have no net financial impact to the Water Utility.

- **Personnel expenses** were \$151,000 below budget, primarily reflecting personnel vacancies during the year.

SEWER UTILITY

The Sewer Utility finished 2016 with a \$7.3 million ending fund balance, which is close to the planned 2017 beginning fund balance.

Table 3. Sewer Utility Fund 2016 Year End Results (\$000)

	Budget	Year End Actuals	Variance Dollars	Variance Percent
Beginning Fund Balance	\$ 6,290	\$ 6,438	\$ 148	2.4%
Revenues				
Sewer Service	56,797	58,190	1,393	2.5%
Developer	398	423	25	6.3%
Other	2,289	2,078	(211)	-9.2%
Total	59,484	60,691	1,207	2.0%
Expenses				
Wholesale	32,452	33,928	1,476	4.5%
Personnel	6,498	6,258	(240)	-3.7%
CIP*	11,457	11,457	-	-
R&R	-	-	-	-
Taxes	3,892	3,632	(260)	-6.7%
Interfunds	2,270	2,185	(85)	-3.7%
M&O	2,208	2,421	213	9.6%
Total	58,777	59,881	1,104	1.9%
Ending Fund Balance	\$ 6,997	\$ 7,248	\$251	3.6%

Source: Year-end actuals as of March 17, 2017.

*CIP budget exclude \$525,000 in Council approved amendments for CIP plans S-52 and S-53; this amount will be spent in 2017.

2016 Revenue Highlights

Sewer revenues were \$1.2 million or 2.0% above budgeted levels. This is largely driven by the following:

- **Sewer service revenues** exceeded budget by \$1.4 million reflecting wastewater flows from higher than anticipated water consumption.
- **Other revenues** were \$211,000 below budget and primarily reflect lower than anticipated interfund payment from the Sewer CIP for staff labor, primarily engineering staff that support the delivery of the CIP.

2016 Expenditure Highlights

Sewer expenses were \$1.1 million or 1.9% above budgeted levels. Highlights include:

- **Wholesale expenses** represent payments made to King County for wastewater conveyance and treatment services. This charge is paid quarterly and is based upon a four-quarter moving average of historical wastewater flows conveyed to King County. In 2016, payments made for wastewater treatment were \$1.5 million or 4.5% above budget, reflecting higher flows than budgeted. This is largely offset by higher service revenues and lower than anticipated taxes.
- **Other operating expenses** were \$213,000 above budget due to greater than anticipated expenditures in several areas including capital asset replacement, hardware/software purchases and maintenance, and equipment rental for work at the Mid Lakes Pump Station.
- **Tax expenses** were \$260,000 below budget. Modifications have been made to the rate model to determine tax expenditure budgets going forward.
- **Personnel expenses** were \$240,000 below budget reflecting staffing vacancies that occurred throughout the year.

STORM AND SURFACE WATER UTILITY

The Storm and Surface Water Utility finished 2016 with a fund balance of \$4.2 million consistent with the utility's budgeted 2017 beginning fund balance.

Table 4. Storm and Surface Water Utility Fund 2016 Year End Results (\$000)

	Budget	Year End Actuals	Variance Dollars	Variance Percent
Beginning Fund Balance	\$ 4,287	\$ 4,968	\$ 681	15.9%
Revenues				
Storm and Surface Water Service	21,376	21,358	(18)	-0.1%
Developer	426	830	404	94.8%
Other	1,298	1,195	(103)	-7.9%
Total	23,100	23,383	283	1.2%
Expenses				
Personnel	6,129	5,781	(348)	-5.7%
CIP	4,416	4,416	0	0.0%
R&R*	5,630	7,623	1,993	35.4%
Taxes	1,517	1,331	(186)	-12.3%
Interfunds	2,512	2,427	(85)	-3.4%
M&O	2,080	2,585	505	24.3%
Total	22,284	24,163	1,879	8.4%
Ending Fund Balance	\$ 5,103	\$ 4,188	(\$ 915)	-17.9%

Source: Year-end actuals as of March 17, 2017.

*R&R transfer includes 2016 year-end excess fund balance transfer of \$2.0M per R&R policy.

2016 Revenue Highlights

The Storm and Surface Water Utility began 2016 with a beginning balance that is \$681,000 above budgeted levels, largely due to higher than anticipated development fees and lower than anticipated expenses as a result of vacancies and general operating savings in 2015.

2016 Storm and surface water revenues were \$283,000 or 1.2% above budgeted levels, primarily due to higher than expected revenue from development activity.

- **Service revenues** performed at budget. Service revenues in this utility are relatively stable and do not fluctuate very much with weather or economic conditions.

- **Developer fees** were \$404,000 above budgeted levels, largely reflecting higher than anticipated staff time spent on Storm permit inspections that have been more complex and time intensive to review.
- **Other revenues** were \$103,000 below budget primarily due to lower than anticipated payments from the Stormwater CIP for staff labor, primarily engineering staff that support the delivery of the CIP.

2016 Expenditure Highlights

Expenses were \$1.9 million or 8.4% above budgeted levels. Key areas of variance from budget include:

- A \$2.0 million year-end transfer of excess fund balance was made to the **R&R** account, consistent with Council adopted R&R policy.
- **Other expenses** were \$505,000 above budget primarily due to higher than anticipated expenditures in supplies and stormwater facility repairs/maintenance expenses to address condition assessment efforts, expenses to address a backlog of facility cleaning/clearing needs, and other expenses including timing of NPDES permit payments and hardware/software expenses. This level of activity was unique to 2016 and is not expected to recur in 2017.
- **Personnel expenses** were \$348,000 below budget due to staffing vacancies that occurred throughout the year.
- **Tax expenses** were \$186,000 below budget. Modifications have been made to the rate model to determine tax expenditure budgets going forward.

SOLID WASTE UTILITY FUND

The Solid Waste Fund finished 2016 with a fund balance of \$1.7 million or about \$700,000 above budget.

Table 5. Solid Waste Utility Fund 2016 Year End Results (\$000)

	Budget	Year End Actuals	Variance Dollars	Variance Percent
Beginning Fund Balance	\$1,117	\$1,301	\$184	16.5%
Revenues				
Admin/Recycling	721	696	(25)	-3.5%
Grants	309	301	(8)	2.5%
Other	5	483	478	9500%
Total	1,035	1,480	445	43.0%
Expenses				
Personnel	142	132	(10)	-7.0%
Interfunds	363	362	(1)	-0.3%
M&O	611	554	(57)	-9.3%
Total	1,116	1,048	(68)	-6.1%
Ending Fund Balance	\$1,036	\$1,733	\$697	67.3%

Source: Year-end actuals as of March 17, 2017.

2016 Revenue Highlights

The Solid Waste Utility ended 2016 with revenues exceeding budget by \$445,000 or 43%, largely due to **other revenues** received from Republic Services, the city's solid waste service provider. The 2014 Comprehensive Garbage, Recyclables, and Organics Collection Contract (Contract) provides two incentives to encourage performance. Specifically, it provides an annual waste diversion incentive of up to \$250,000, plus inflation, in customer rates for Republic Services to achieve certain multifamily and commercial recycling targets. Republic Services did not achieve the recycling targets for the diversion incentive in 2016 and has remitted the unearned incentive to the City. The Contract also allows Republic Services to keep up to \$65,000 annual in customer rates as a performance bonus as incentive for meeting certain performance goals and providing excellent service throughout the Contract. Republic Services earned a portion of this bonus remitted the unearned portion, about \$45,000, to the city.

2016 Expenditure Highlights

Expenditures were \$68,000 or about 6% below budget. This is largely due to lower than anticipated **other expenses**, primarily operating supply and general expenditure savings.